

TANF Reauthorization:
The Bush Administration Proposal and Wisconsin's W-2
Program
Problems and Pitfalls for Families in Poverty

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Wisconsin's welfare reform program, W-2, espouses a rigorous "work first" philosophy. The program is based on the idea that any job is better than welfare, and as a result interprets decreased caseloads as success. Numerous dimensions of policy implementation enact this emphasis on moving people off the rolls. In many cases, the result is that families do not get connected to services they need.

I. The Wisconsin Model

W-2 is founded on strict "work first" philosophy. The program uses a combination of carrots and sticks that makes welfare an unattractive option, and promotes any kind of job as preferable to welfare. Specific dimensions of the program that communicate this philosophy include:

- diversionary tactics that make it difficult to enroll in W-2,
- eligibility criteria that are not limited to financial need (even when parents have no job, they may not receive W-2 if the agency determines that they are "job ready"),
- 40 hour a week work requirements,
- Extremely limited opportunities to participate in job training or vocational education while receiving W-2, and
- Sanctions for parents that fail to participate in a 40 hour work week; for these parents, the monthly benefit check is reduced by \$5.15 for each hour of activity missed.

Existing research concurs on the outcomes of W-2. This summary of research includes reports by:

- **Legislative Audit Bureau** (comprehensive audit of W-2 by the state's non-partisan audit institution, released in April 2001).

- **Hudson Institute** (296 respondents from Milwaukee County who had been receiving AFDC in August 1997).
- **Institute for Research on Poverty** (8,042 AFDC recipients who left the rolls in 1995 & 8,162 who left in 1997).
- **UW-Milwaukee Center for Economic Development** (268 Wisconsin Head Start families).
- **WI Department of Workforce Development** (375 welfare recipients who left the rolls in the 1st quarter of 1998).
- **UW-Milwaukee Employment and Training Institute** (7,502 women who were receiving AFDC in December 1995 who were not on the rolls in September 1996).
- **Institute for Wisconsin's Future, UW-Milwaukee Center for Economic Development and Interfaith Conference of Greater Milwaukee** (analysis of trends in use of private community safety net, Milwaukee County, 1995-2000).

Earnings. The audit's findings included an assessment of the economic well-being of these families. Using a sample that left W-2 in the first quarter of 1998 (a period when the economy continued to expand), the audit reported:

- Only 65% (less than 2/3) of those who leave W-2 move into employment.
- *Of those who work*, only 34% are above the poverty level on the basis of earnings alone; when state and federal tax credits are added in, only 47% are above the poverty level. Relative to the entire group that left welfare, only 31% were out of poverty even when state and federal tax credits are considered and only 22% were out of poverty based on earnings alone.
- 35% of W-2 leavers do not show up as earners in state databases. The Hudson Institute study found that 22% of the families on AFDC did not receive W-2 within 18 months of the transition. The Hudson Institute study found that 16% of families had no visible means of support after leaving AFDC.

Other research reports found:

Annual Income	Note on Calculation	Source of Research
\$12,109	annualized based on one month report	Hudson
(1995) \$9,108	leaver	IRP
(1997) \$7,709	leaver	
\$14,589	"best job" leaver ever held, annualized (69% overall response rate, but underrepresented Milwaukee families and people of color).	DWD
\$5,072-9,648	leaver	ETI

Work supports. There is substantial evidence that the implementation of W-2 made it harder for families to get the supports they needed. W-2 implementation contributed to:

- 27% decline in Medicaid enrollment from 1995-99;
- 34% decline in Food Stamps enrollment between 1996-98.
- Furthermore, it is estimated that just 16% of eligible families are receiving the childcare subsidy.

W-2 is founded on the philosophy that for all those who work, work should pay. Proponents of W-2 argue that workers should be able to support their families using a combination of earnings and work supports. But many W-2 leavers do not receive the supports they need to care for their families. Existing research shows that a significant percentage of W-2 leavers and TANF eligible families do not receive food stamps, medical assistance or childcare subsidies:

Food Stamps	Medical Assistance	Child Care Subsidy	Child Support	Study
61%	86%	35%	N/a	Hudson
(1995) 58%	(1995) 80%	N/a	30%	IRP
(1997) 81%	(1997) 92%			
23%	71%	15%	24%	CED
49%	71%	17%	27%	DWD

Numerous studies show that these declines did not happen because parents worked more and earned their way out of these programs, but because W-2 agencies made it very difficult for working parents to get the programs meant to help them support their children. In the W-2 policy manual, caseworkers are instructed not to offer supports to parents unless specifically requested. This policy, “light touch,” continues to characterize W-2.

Supports for families in crisis. Light touch and diversion are very effective ways of reducing the caseload, but they are not effective in assessing families’ needs and moving them towards self-sufficiency. Not only do most families leaving W-2 have incomes below the poverty level, but they have little time or support for addressing ongoing crises, including homelessness, mental health problems or drug or alcohol issues. The W-2 audit reported that of all W-2 participants in 2000:

- Only 8.7% received employment counseling;
- Only 7.9% received disability assessments and only 6% received mental health counseling (despite a 2001 GAO study that argues that as many as 44% of TANF recipients nationwide have physical or mental impairments);
- Only 13.8% received job skills training.

Education and training. Because of strict rules governing participation in education and training, only 0.3% of the W-2 caseload enrolled in technical college classes in 2000. Participants in W-2 are commonly assigned to work activity that provides them with very few new skills.

Sanctions. Sanction rates are routinely interpreted as evidence of compliance, but they also illuminate what portion of the caseload is unable to meet the work requirements. The W-2 audit showed that approximately 21% of the caseload statewide was sanctioned in December 2000, but sanction rates in Milwaukee are consistently 10 percentage points higher than in the rest of the state. Furthermore the audit bureau found numerous instances of sanctions being applied inappropriately, and recommended the state outline a plan to report on and address the sanctions problem.

Sanctions are a critical dimension of “work first” policy. Some participants leave the program after repeated sanctions. Sanctions have been levied against participants with disabilities that have not been identified or accommodated by the W-2 program. Recent complaints filed by the ACLU of Wisconsin and the NAACP, and Legal Action of Wisconsin allege that many instances of sanctions should instead be treated as an indication of the need for further disabilities assessments. A recent GAO report suggested that as much as 44% of the TANF caseload nationwide has physical or mental impairments that pose barriers to full employments. These parents need more services to help address the barriers. Instead, they are frequently sanctioned and leave the welfare system.

Private Community Safety Net Services. In Milwaukee County, where the W-2 caseload is concentrated, the private safety net has been overwhelmed since the government safety net was dismantled. The joint report by IWF, UWMCED and Interfaith Conference found that food pantries serve almost 40,000 people per month, homeless shelters are constantly full, and hospitals are treating twice as many people who cannot afford to pay for their medical care. The trend toward increased demand for community safety net services occurred during a time of unprecedented economic expansion. The recent recession and very slow recovery in Wisconsin will likely further overburden the system of private services for families in crisis.

II. Key Dimensions of the Bush Proposal

The Bush Administration proposal imposes a very stringent version of “work first” on all states. This “work first” philosophy is represented by three specific provisions involving work and work requirements.

Under current TANF rules:

- 50% of families (with adults) receiving assistance must be engaged in “work activities” for at least 30 hours per week

- At least 20 hours must be in job search, subsidized or unsubsidized employment, or vocational education. 10 hours per week may be in education and training activities;
- States can use the “caseload reduction credit” to reduce the overall percentage of TANF recipients that are in required work activities. If a state’s caseload is lower than 1996 levels, then they do not have to meet the full 50% engagement requirement.

The Bush proposal makes several key changes:

- Eliminates the caseload reduction credit
- Increases the work participation requirement from 50% to 70% by FY 2007
- Increases the weekly work activity to 40 hours of work a week
- Requires that at least 24 hours of work activity be subsidized or unsubsidized work, on-the-job training or work experience. Job search and vocational education would NOT count toward the first 24 hours.
- For up to three months in any 24-month period, participants could enroll in substance abuse treatment, job training or rehabilitative services instead of the work requirement.

The key to the current federal requirements is that the caseload reduction credit offsets the work participation requirement. In a state like Wisconsin, where the caseload has declined significantly, the state has the latitude to work with some families more intensively because their “participation rate” is irrelevant to Wisconsin meeting federal standards.

The issue is that the latitude and flexibility are there. Even though we believe the state is not taking full advantage of the flexibility – we have the room to advocate for families that need more help, either through individual advocacy or through policy reform processes. The Bush administration’s proposal hamstrings our efforts to improve Wisconsin’s system for families in need.

III. The Bush Plan And New Difficulties for Wisconsin

Some observers have noted that Bush’s plan seems to take some elements of Wisconsin’s TANF plan, Wisconsin Works, and implement them across all 50 states. While the strong “work first” emphasis of the Bush plan is evocative of W-2, in fact the administration proposal is even more rigorous than W-2.

In fact, even Wisconsin could not meet these standards. Using aggregate participation statistics from 1999, Wisconsin barely met the requirements laid out in the Bush proposal of 70% participation rate in 24 hours of work experience per week, even with W-2’s strict diversion tactics and tough work requirements. In addition, Wisconsin failed to meet the participation requirements for two parent families in FFY 2000.

Furthermore, many facets of Wisconsin's program would not meet these requirements in principle. Participants in W-2 are assigned to a tier, and their work requirements are based on this assignment. For participants with many needs and barriers to work, the assignment to *W-2 Transitions* requires 28 hours of work activity per week, and up to 10 hours of basic education, GED or ESL. That 28 hours of work, however, can include doctor's visits, counseling appointments, physical rehabilitation, and the like. Few participants in W-2 Transitions are actually performing 24 hours a week of *work experience*.

The second possible W-2 tier is *Community Service Job*. Participants assigned to Community Service Job placements are required to perform 30 hours a week of work activity and up to 10 hours of education. Many participants have only 20 hours a week of *work experience* as part of their placement, with other activities including job search making up the balance of the 30 hour work activity requirement.

Finally, Wisconsin is now in the midst of instituting reforms that forge a middle path away from the strict "work first" emphasis of the first four years of implementation. These reforms include:

- Elimination of light touch and emphasis on connecting families to services they need, including federal entitlement programs, child care subsidy and transportation assistance, and services to identify and address physical, mental, educational, and emotional barriers to success in the labor market.
- Increased monitoring and assessment of cases that are reaching their time limits, cases where participants are caring for disabled family members and cases where participants are placed in the "job ready" category ("job ready" participants are not eligible for W-2 cash assistance because they are employable).
- Strengthening provisions that place W-2 participants in activities that prepare them for work, including mental health counseling, AODA treatment, physical rehabilitation, or customized education that addresses learning disabilities.
- 2 new pilot programs that would allow parents to work part-time and enroll in a part-time training program.

Proposals to address all of these issues are likely to have an impact on caseloads and "full engagement." Increasing the work participation requirements at the same time the caseload reduction credit is being eliminated would imperil these reforms. Under the Bush plan, concern with meeting the work participation requirements would make it difficult for the state to reduce the emphasis on caseload reduction and work participation.

IV. Priorities for TANF Reauthorization

Our research shows that three groups of W-2 participants need better services.

- Participants who left W-2 because of diversion, light touch, or sanctions. These parents need to be engaged in the program and enrolled in support programs.
- Participants who left W-2 because they found low-wage employment, but cannot work their way up the career ladder. The volatility in the low-wage labor market makes it likely that these participants will need further assistance. This group needs to be supported with education and training programs that improve their competitiveness in the labor market.
- Participants who are on W-2 but do not receive assessments, counseling, or other supports that would reduce their barriers to work. This group needs more support services to enable them to sustain employment.

TANF reauthorization could establish a foundation to support these three groups of families in need with the following changes:

- *Establish a goal of poverty reduction*
State programs should be required to have poverty reduction as a goal, rather than caseload reduction. Bonuses and credits should be awarded based on states' success in moving families out of poverty.
- *Emphasize support for families in need*
Under existing program rules, families in crisis have little protection against a system that tries to provide as little support as possible. The existing caseload is dominated by parents with multiple and significant barriers to employment. Without extensive services, these parents may never be able to sustain long-term, full-time employment and self-sufficiency. Investment in parents now is critical to ensuring self-sufficiency for the long term.
- *Renew funding with inflationary adjustment*
While W-2 caseloads are lower now than in 1996, the state continues to provide health care and childcare subsidies to thousands of families. Reduced funding not only means less money for cash assistance, but less money for the work supports that make work possible for many W-2 leavers. Renewed funding at existing levels results in a 22% decline in real funding for TANF related programs.
- *Better support for education and training*
Research shows that “work first” programs do not sustain outcomes over the course of five years. Mixed programs that combine education and training with work are the only welfare reform programs that have showed sustained improvements in employment and earnings over a five-year period. Stronger support for education and training is critical to ensure that TANF programs do not just move people out of welfare

poverty and into working poverty. Outcomes from W-2 support this position.

- *“Stop the clock” on time limits*
Few W-2 participants get 60 months of TANF benefits because of tiered state time limits that reduce eligibility to 24 or 48 months. In addition, the results from numerous studies show that many families have not received services necessary to help them move toward self-sufficiency in the job market, and thus their time on TANF has not actually improved their employability. Given the current economic climate, people who are willing to “play by the rules” and participate in W-2 activities in exchange for TANF assistance should not be cut off due to arbitrary time limits established during much stronger labor market conditions. Wisconsin has been disproportionately affected by the recession and has not yet entered the period of recovery. As a result, families in Wisconsin are particularly vulnerable and should be afforded some shield from economic changes they cannot control.

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